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INDUSTRY

Laventhol & Horwath

1986 Edition

8TH ANNUAL REPORT ON TEXAS HOTEL OPERATIONS

TEXAS LODGING INDUSTRY

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COMMENTS FROM AROUND THE STATE

From Austin

Lodging development in Austin continued at an exhilarating pace throughout 1985. With slightly over 1,000 rooms added to the marketplace in 1985 and another 2,119 rooms under construction or proposed for 1986, Austin has shed its anonymity and become one of the fastest-growing hotel markets in the United States. The continued expansion and relocation of several top hightech-oriented firms drives Austin's economic development.

Due to the additions in supply, year-to-date occupancy in the Austin lodging market as of the third quarter of 1985 was approximately 71.3 percent, a 4.3 percentage point decrease from the same period in 1984. Average room rate for this same period showed improvement, rising 4.7 percent, compared with 1984, to approximately $47.70.

While economic growth has created a tremendous source of opportunity for hotel/motel developers over the past 10 years, significant obstacles currently confront those same developers today:

- land prices and availability;
- limited sources of financing;
- governmental regulations and restrictions, and
- water and sewer services.

Voters have approved a record $955 million bond proposal to upgrade streets, water treatment and utility services. Because the proposed Civic and Convention Center is still under preliminary discussion and the problem of availability and cost of land remains a prevalant issue, prospective hotel/motel developers may be discouraged from further development in the short run.

Several projects have been planned for development in the Austin area other than those listed above. Due to the preliminary status of the projects they have not been included in our projections of future supply.

Austin's economic strength should continue to positively impact the hotel/motel industry, resulting in performance above national averages. While development opportunities for hotel projects should continue to exist, softening of market conditions can be expected to result in occupancies lower than those reportd in 1985.

Lamont Meek
Houston

Austin Properties
(Additions)

	Sector	Number of Rooms	Opening
Marriott at the Capital	Downtown	365	Spring 1986
Unnamed property at Interstate 35 south of U.S. 290	North	200	Spring 1986
Heritage Inn	North	180	Spring 1986
Drury Inn	North	156	Spring 1986
American Guesthouse	North	125	Spring 1986
Unnamed property at Bannister Lane & Ben White Boulevard	Southwest	107	Spring 1986
Wyndham Northwest Austin	Northwest	479	Fall 1986
Radisson Plaza Hotel	Downtown	314	Fall 1986
Guest Quarters Hotel	Downtown	193	Fall 1986
Four Seasons Hotel	Downtown	308	Fall 1987

Austin Properties
(1985 Openings)

	Sector	Number of Rooms	Opening
Habitat Inn	North	96	Winter 1985
Holiday Inn Townlake (Expansion)	Downtown	321	Fall 1985
Waller Creek Plaza	Downtown	261	Fall 1985
Embassy Suites Hotel	Downtown	261	Fall 1985
Brock Residence Inn	South	128	Fall 1985

From Corpus Christi

The Corpus Christi lodging industry faced a challenging year in 1985, as a substantially enlarged hotel supply com-

peted for rooms demand. Third-quarter 1985 figures showed year-to-date occupancies that were 3 to 4 percentage points below comparable 1984 figures. Average room rates decreased approximately two dollars over this period, reflecting increased price competition.

New hotels entering the market during 1985 include:

- a 143-room Rodeway Inn on South Padre Island Drive which opened December 1985;
- a 142-room Kings Inn near the airport which opened January 1985, and
- a 474-room Hershey Hotel on Shoreline Drive which opened January 1985.

The number of rooms occupied rose approximately 10 to 12 percent over 1984 levels with growth in convention demand accounting for much of the increase.

The outlook for 1986 is somewhat better. Commercial demand is expected to increase gradually during the first half of the year and accelerate in late 1986 and 1987 as several major new developments come on-line. These include:

- One Shoreline Plaza, a twin-tower upscale office complex on Shoreline Drive which is expected to draw approximately 1,300 employees into the bayfront area. The project began construction March 1985 and is expected to open in late 1986.
- The Surface Action Group Home Port is the largest new development proposed for the Corpus Christi area. Located in Ingleside, just north of Corpus Christi, the Home Port will accommodate five United States Navy ships. Construction is scheduled to begin in late 1987 and continue through 1989 adding an anticipated 3,500 to 4,000 construction jobs, 3,000 permanent jobs and 10,000 to 12,000 new residents to the area. Local businesses are already preparing for the increased economic activity they expect the Home Port to create.

Convention business rose dramatically in 1985. This was largely due to the convention bureau's expanded marketing efforts to attract state associations and the mid-1984 addition of the 350-room Marriott and the 1985 addition of the 474-room Hershey hotel. Convention business is expected to remain strong in 1986 due to the recent increase in high-quality meeting facilities and the marketing efforts provided by these new properties.

The tourist market, which remained relatively flat in 1985, is expected to grow moderately in 1986 as promotional activities by the visitors bureau intensify.

Overall, 1986 hotel occupancies and room rates should be higher than 1985 levels as new additions to the room supply are absorbed by increased numbers of tourists, convention attendees and commercial travelers.

Susan Eby-Pong
Houston

From Dallas

The 1985 lodging market for Dallas area showed limited increases in demand. Based on estimated metroplex-wide occupancies of approximately 63 percent for 1985 and available supply, demand for overnight accommodations increased approximately 2 percent compared with 1984 levels.

Limited increases in demand were attributable to a slowdown in the historic growth of the Dallas area as employment increased less than 1 percent compared with 1984 levels. Additionally, conventions to the area were below 1984 levels. Negating these effects were continued increases in occupied office space and several major new developments, including the Royal Tech Center in Las Colinas, and the EDS campus in Collin County.

The most dramatic growth in the market was not in demand, but in average room rates. Overall, 1985 average room rates for the metroplex were approximately $59.00, an increase of approximately 6 percent over 1984 levels. In some sectors of the city, particularly North Dallas and the Dallas/Fort Worth (D/FW) International Airport sector, average room rates increased at a rate of 9 to 13 percent compared with 1984 levels. Hotel operators find the news encouraging, but warn that average room rates are still catching up with decreases and discounting in rates that were prevalent in the market in 1982 and 1983. Relatively small increases in supply in 1985 and limited additions for 1986 should result in continued increases in average room rates next year.

New additions to the Dallas market in 1985 were more limited when compared to 1983 and 1984 and consisted of approximately 2,700 rooms. Noteworthy additions include the Harvey Hotel, the third and largest property in the very successful Dallas-based chain; the Crescent Court Hotel, Rosewood's newest addition to the luxury market, and two Hampton Inns, Holiday Inn's budget concept. Additionally, of the new properties in the market, approximately 37 percent of the rooms were contained in all-suite hotels.

New properties opening in the Dallas lodging market in 1986 are anticipated to be even more scarce, with only a handful of projects currently under construction.

The slow down in additions is only good news to the market as economic growth in the Dallas market is slowing. Traditional low unemployment levels are rising to levels above the national average and absorption levels of new office space are below record levels set in 1984. The resulting outlook for 1986 is limited increases in demand and moderate increases in average room rate. Occupancies and rates should remain strong in the Stemmons Freeway and North Dallas area, with the majority of new additions occurring in the Dallas Central Business District, D/FW Airport and Arlington sectors.

Feliz Jarvis
Dallas

From El Paso

El Paso has exhibited low to moderate growth as indicated by trends in population and employment over the last few years. The devaluation of the peso has contributed to a strong manufacturing base in the city due to the "Twin Plant" concept that is utilized by many U.S. companies in the El Paso area. Future growth is expected to occur in the area based on this manufacturing base and the military sector of El Paso which has historically provided a stabilizing force to the overall economy.

The El Paso lodging market is basically segmented into two market sectors: the Airport market and the Central Business District (CBD) market. The Airport market sector achieved an occupancy level of approximately 66 percent, down from 69 percent in 1984, with a composite average room rate of approximately $51 during 1985. Rooms occupied in this sector did increase over this period, however at a slower rate than the increase in supply. Therefore, the decrease in occupancy can be partially attributed to the opening and expansion of the following properties:

- A 115-room Texian Inn, located along Interstate 10 (I-10), which opened in late December, 1984;

- a 201-room Kings Inn which opened in May 1985 at Yarbrough Drive on I-10, and
- a renovation and expansion of the 272-room Airport Hilton which was completed in the Fall of 1985; the project included the addition of a restaurant, 10,000 square feet of meeting space, renovation of the existing guest rooms and addition of 125 new guest rooms.

Future development in the Airport sector will includes a 126-room AmeriSuites which is planned to open in early 1986 along I-10, southeast of the airport.

The CBD market occupancy declined approximately three points in 1985 from 1984 from 61 percent to approximately 58 percent. The CBD market average room rate was approximately $44.50 in 1985. This decline in occupancy is attributable to a decrease in demand as no additions were made to the competitive supply during this time period. Future changes to the supply in this market include a 372-room Westin Hotel which is planned to open this year. This hotel, formally the Paso Del Norte, will be a first-class facility with 10,000 to 12,000 square feet of function space. It will be located near the civic center in the CBD of El Paso and is expected to add substantially to the volume of group and convention demand in the city.

In summary, growth in El Paso should be slow but stable due to the military and manufacturing industries. Occupancies in the markets are expected to decline as additional hotel rooms offset the growth in demand. Market occupancy is expected to recover in two to three years.

Steve Johnson
Tim Marvin
Dallas

From Fort Worth

Growth in the Fort Worth lodging market continued at a slow, steady pace during 1985. There was an overall decline in both market occupancy and average daily room rate during 1985 due to a number of new and expanded lodging facilities in the market. Based on a sampling of hotels primarily located in the Fort Worth Central Business District, overall market occupancy during 1985 was approximately 62 percent, down approximately 3 occupancy points from the previous year's results. The market average room rate decreased slightly from 1984 levels to approximately $54 from $54.50, for those hotels surveyed.

Fort Worth's economy has continued to grow despite falling oil prices which have severely impacted other Texas cities. Statistics published by the Fort Worth Chamber of Commerce indicate an economy being driven by a number of major industries, other than oil and gas related companies, including General Dynamics, Bell Helicopter Textron and Tandy Corporation. A recent office space survey published by Henry S. Miller Company indicates that office space absorption has declined over the past 12 months, but they see a a stable market that will rebound when the petroleum industry recovers.

Recent additions to the Fort Worth lodging supply have occurred primarily in the areas outside of the Central Business District but have impacted the entire lodging market. Significant additions to the area's lodging supply include:

- a 53-room addition to the existing Best Western Sandpiper Inn located in north Fort Worth, which was completed during 1984;
- a 247-room Holiday Inn located in south Fort Worth which opened in late 1984;
- a 100-room Red Apple Inn located in south Fort Worth which opened in late 1984;
- a 65-room Deluxe Inn located in west Fort Worth which opened in June 1985;
- a 40-room Stratford House Inn which opened in August 1985 in west Fort Worth, and
- a 247-room Holiday Inn which opened in north Fort Worth in February 1986.

New commercial and industrial developments, aging properties and the anticipated rebound of the oil and gas industry has developers looking at the potential for new hotels in the market. Additions to the Fort Worth lodging supply include a 135-room Hampton Inn which is under construction in west Fort Worth and is expected to open before the end of 1986.

The overall outlook for the Fort Worth lodging market is good, based on a continually growing economy and a number of developments occurring that should boost lodging demand in the city. Significant developments that are planned or are under construction include:

- the Advanced Robotics Research Institute which is under construction in northeast Fort Worth within an 1,100 acre master-planned development;
- a $60 million parts distribution center for General Motors which is under construction in south Fort Worth and anticipated to be operational during 1986;
- a major renovation and addition to the Fort Worth Stockyards entertainment district which will include the renovation of the Northside Coliseum, expansion of Billy Bob's Texas, the opening of a Brown Derby restaurant and a farmer's market and shopping area around the Livestock Exchange Building;
- a reorganization of the city's Convention and Visitors Bureau including the replacement of the Director;
- a potential transfer of control of the existing Tarrant County Civic Center from the county to the city which is expected to improve operations, and
- a substantial amount of residential, retail and office development occurring in southwest Fort Worth which is expected to generate additional interest in future hotel development.

Tim Marvin
Feliz Jarvis
Dallas

From Houston

Occupancy in the Houston lodging market was approximately 52 percent in 1985. Although this is an increase of less than 1 percentage point compared with 1984, it is the first time in three years that occupancies have increased in Houston.

Seven new hotels began operation in Houston during 1985 adding 1,321 rooms to the market. During this same period four hotels closed their doors. These four hotels provided a total of 983 rooms resulting in a net addition of 338 rooms. The following tables summarize 1985 additions and deletions to the market.

The highest occupancy in the city was achieved by the southwest sector with a year-end occupancy of 61 percent. The north sector sustained the lowest year-end occupancy of 48 percent. Occupancy in the north sector was negatively impacted due to a 900-room increase in room supply during 1984.

Occupancies in 1986 are expected to continue in the low 50s. In 1985, additional hotels are expected to close due to the low market occupancies. Recently

Houston
(Additions)

Area	Property	Number of Rooms
South	Hotel Luxeford	191
Southeast	EconoLodge—Hobby Airport	120
	Rodeway Inn—Hobby Airport	200
	La Quinta—Hobby Airport	129
	Holiday Inn—Hobby Airport	294
Southwest	Residence Inn	152
	Texian Inn	115
Northwest	Comfort Inn	120

Houston
(Deletions)

Area	Property	Number of Rooms
CBD	Savoy Hotel	224
Southwest	Helena Motor Inn	108
Southwest	Olde English Inn	444
	Americana Hotel	207

announced closings include the 271-room Holiday Inn—Memorial and the 786-room Shamrock Hilton.

Ground breaking ceremonies for the George R. Brown Convention Center took place in February 1985. This facility, located in downtown Houston, will have over one million square feet of meeting and exhibition space and is scheduled for completion in mid-1987. Positive future growth trends are projected for the Houston hotel market due to the increase convention demand. The largest impact from the new convention center is expected to be realized by downtown hotels due to their proximity to its location.

One factor that could dramatically influence Houston's lodging market is OPEC's decision to lower the price of oil and compete in free market operations. If the price of oil drops by three to four dollars a barrel from its current price, it could have a significant impact on Houston's economy and hotel industry.

Hector Fernandez
Frank Goeckel
Houston

From Lubbock

Growth in lodging demand during 1985 for the Lubbock area was slow. A recent Laventhol & Horwath market survey indicated that overall market occupancy in Lubbock increased approximately 1 percentage point from 64 percent in 1984 to approximately 65 percent in 1985. Average room rates in the market also showed an increase and were estimated to be approximately $47.50 in 1985 compared with approximately $46 in 1984.

The commercial traveler represented the majority of market demand in 1985 at approximately 72 percent. Group and convention demand, which is primarily associated with the Lubbock Memorial Civic Center, medical industry related demand, tourism and visitors to Texas Tech University comprise the remaining portions of lodging demand. Despite an estimated 3 percent overall growth in lodging demand projected for next year, market occupancy is expected to decline in 1986 due to the addition of new hotel rooms in the Lubbock market. Properties recently opened or planned for development include:

- the 202-room Lubbock Plaza, formerly the Southpark Inn, which reopened in November 1985 after a renovation and addition of two food and beverage outlets, a lounge, an atrium with a bar and an indoor pool with spa;
- an 80-suite Residence Inn opened in May 1986 in the southern portion of the city along Loop 289;
- a 136-room Travelodge opened in August 1985, west of the Central Business District and Texas Tech, and
- a 124-room Hampton Inn planned for development in the southwest section of the City. This property is planned to open by April 1, 1987.

Continued slow growth is expected in the Lubbock economy as the area recovers from a downturn in the oil and agriculture industries. Stabilizing factors in the economy include the medical industry, Texas Tech University and Reese Air Force Base. The outlook for the Lubbock lodging market is a drop in overall occupancies as new hotels open and their rooms are absorbed by the market. Demand for hotel rooms is expected to slowly increase as the Lubbock economy continues to expand, and absorption of the new additions to the lodging supply should occur over the next two to three years.

Steve Johnson
Tim Marvin
Dallas

From San Antonio

San Antonio and its Metropolitan Statistical Area experienced yet another strong year in the lodging industry. Market occupancies and average room rates remained healthy despite significant additions to supply. Operators reported third-quarter 1985 occupancy levels of 70.7 percent, a decline of almost 2.5 percentage points from the comparable 1984 period. While occupancy was down slightly, average room rates for this period increased over 5.5 percent to nearly $45.70, $2.50 higher than the comparable 1984 period.

The central business district of San Antonio remains exceptionally healthy and continues to thrive on its cultural and tourist attractions including the Alamo, Riverwalk and Hemisfair Plaza. Development continues to progress as illustrated by the following projects now under construction or in the planning stages:

- a $51-million renovation of Hemifair Plaza and the Henry B. Gonzalez Convention Center is currently under consturction and expected to be completed by September 1986.
- Utility construction has begun on Rivercenter, a downtown retail mall facility. The project is begin developed by the Edward J. Debartolo Corporation at a cost of more than $200 million.
- Consturction has begun to improve many downtown streets.
- The city has created Tri-Party transportation. This organization is designed to improve traffic flow, create a pedestrian shopping mall, and reduce congestion caused by buses.
- Fiesta Plaza Mall expansion and opening.
- A 1,000-room Sheraton Hotel is proposed. Construction is expected to begin in February 1986 and be completed in 1987.
- A 1,000-room Marriott Hotel is proposed as a component of Rivercenter.

Construction is expected to begin the spring of 1986 and be completed by the spring of 1988.

- A 326-room Holiday Inn is currently under construction on the Riverwalk.

Extensive development plans continue to emerge from the north and west sectors of San Antonio, particularly along the Interstate 10 (IH-10) corridor and Loop 410. Recent growth has helped to establish this area as one of the city's major commercial and industrial activity centers. The primary factor leading to this surge in growth has been access provided by IH-10. Other factors expected to influence the demand for hotel rooms in this area include a proposed $100-million Sea World Aquatics and Marine Park slated for completion by April 1987.

Increases in hotel room supply have been extremely strong in the past two years with the addition of over 900 rooms in 1984 and over 1,600 rooms in 1985. Supply increases are expected to continue at a rapid pace through 1987, especially in the Central Business District.

Demand for lodging accommodations in the commercial market continues to benefit from increased levels of employment from office, retail and industrial development as well as technology related industry. Group demand for lodging accommodations is expected to increase when developments such as the expansion of the San Antonio Convention Center and development of the Rivercenter are completed. Tourist/transient demand is expected to benefit from the development of the Sea World project.

As a result of the expansion and diversification of the local exonomy, 1986 is expected to be a year for continued growth throughout San Antonio. As the overall economic climate continues to be favorable, both the supply and demand for lodging accommodations can be expected to increase.

Lamont Meek
Martha Gottenberg
Houston

THE TEXAS LODGING INDUSTRY—1985

by Mark A. Orlinsky
Research Division
Philadelphia, Pennsylvania

Foreword

This is Laventhol & Horwath's eighth annual in-depth analysis of the Texas lodging industry. The information in this series of reports provides an understanding of the operating characteristics of the industry for the preceding year and is useful in analyzing trends in revenue and expenses over successive time periods. In addition, this information is useful as a guide for comparing the operating performance of individual establishments with that of comparable properties.

The information contained in this study was derived from contributors to the 1985 editions of L&H's *U.S. Lodging Industry*, *U.S. Economy/Limited-Service Lodging Industry* and *All-Suite Lodging Industry*. After careful review for reasonableness and accuracy, 85 questionnaires were used in compiling the data for this study.

In our continuing efforts to upgrade the quality and usefulness of this report, a number of exhibits have been modified to provide the reader with a clearer presentation of data. With these changes in mind, the reader should be careful when comparing this report to previous editions.

The statistics presented in this report have been computed on the three most common bases used to analyze the operating results of lodging enterprises: annual amounts per available room, ratios to room sales and ratios to total sales. Most of the figures area medians and upper and lower quartiles and do not necessarily add to the totals shown. Each line item has been analyzed separately and the medians area based on the information submitted for that line item only, since all establishments did not report data for each line. For a more detailed explanation, see Appendix V, Understanding Medians (p. 25).

Laventhol & Horwath makes no attempt to set or conform prices or operating ratios for the lodging industry. The amounts and ratios contained in this report should not be considered standards for any type of property or region, but should be used only as a guide when analyzing the operating results of a specific property.

Laventhol & Horwath would like to take this opportunity to thank the lodging chains and properties throughout Texas who participated in the production of this report. Without the continued support of concerned lodging operators, this report and the valuable information it provides would not be possible.

Review

While the overall U.S. economy was experiencing a period of moderate growth, the overall Texas economy was unable to emerge from the recession it has experienced over the past few years. Tumbling oil and gas prices have hurt not only the cities which are heavily dependent on that industry, but have carried over to depress the entire economy.

The current state of the industry cannot be credited to anything other than unforseen changes in the economic climate. Houston, for example, was one of the fastest-growing cities in the nation, spurred by rising oil prices and fueled by the accompanying capital. Planners expected the economic conditions to continue and wished to capitalize on the influx of people and opportunities that were available.

Obviously, lodging, an industry dependent on forecasts of future demand, has been one of the hardest hit industries by the sharp change in the economic climate. Properties, which at the time of original planning appeared to be feasible, have found it nearly impossible to reach the levels originally projected.

It appears that the state is now approaching the bottoming out of the current recession. The "survival of the fittest" theory is now weeding out the weakest of the properties, and new development has slowed significantly. Those properties hanging on have benefited from reduced interest rates which have made the current conditions less damaging than they could have been. Although this is favorable news, there is still a long way to go until consistent profitability can be achieved.

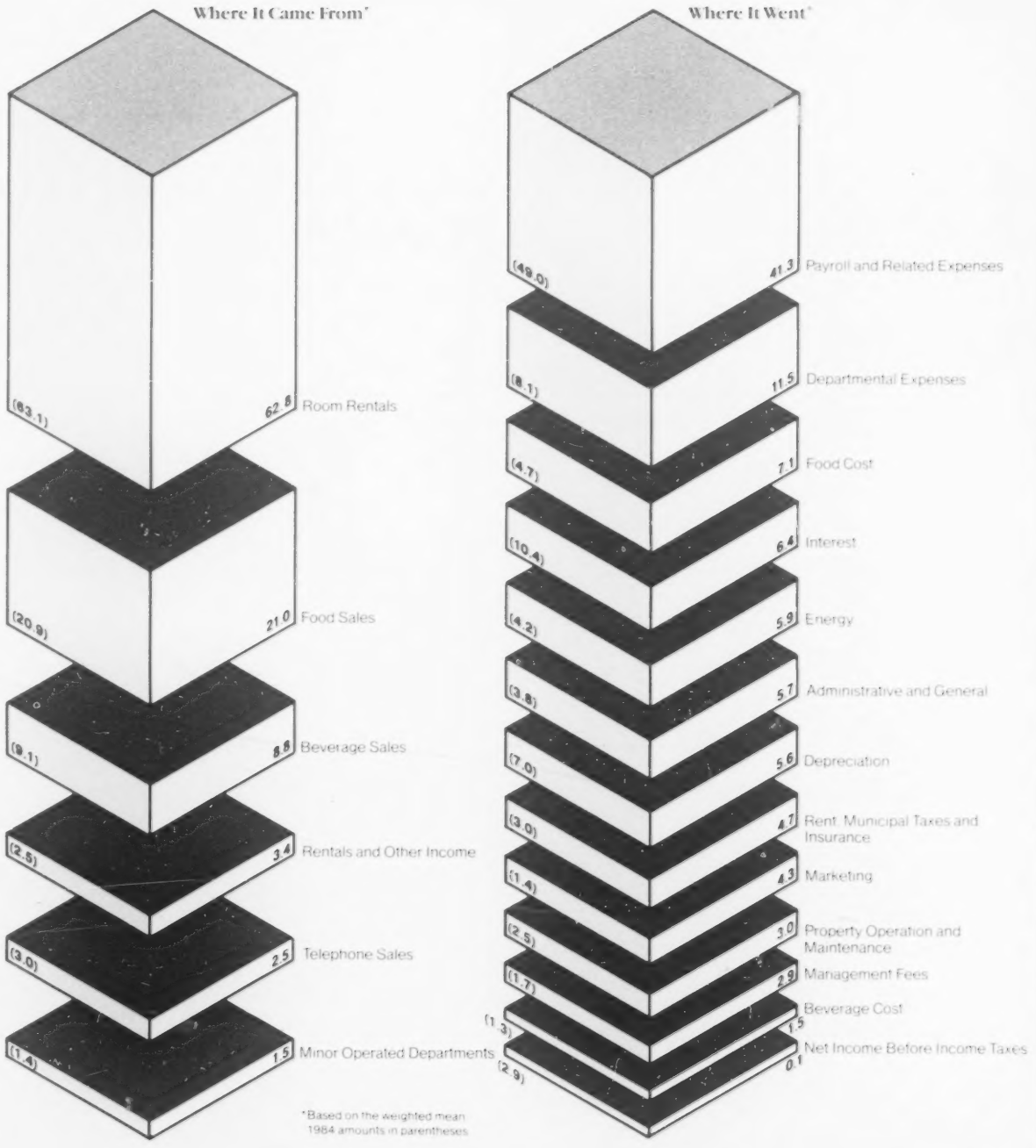
The picture is not totally grim for the state, however. The properties have the opportunity to attract meeting and convention business. The availability of quality facilities coupled with room rates at levels below other comparable areas make some of the Texas cities very attractive. By attracting the guests, properties have the opportunity to make up for lost room revenues through food and beverage sales and the sale of other hotel functions.

Exhibit 1
Highlights

- Statewide occupancy was reported at 61.7 percent, down 4.4 percent from 1984.
- The average daily rate per occupied room was $44.83 in 1985.
- Total revenue on a per available room basis was $12,879.
- Net room revenue as a ratio to total sales was 75.6 percent.

Chart 1

The Texas Lodging Industry Dollar 1985



*Based on the weighted mean
1984 amounts in parentheses

Exhibit 2
Market Data*

	All Establishments	Average Room Rate		
		Under $40.00	$40.00–$54.99	$55.00–$69.99
Source of Business				
Foreign	5.0%	9.9%	9.3%	2.0%
Domestic	95.0	90.1	90.7	98.0
Total	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	46.1%	47.7%	49.8%	44.5%
Composition of Market				
Leisure	24.5%	30.2%	27.4%	16.7%
Business/Government	49.0	49.8	43.1	57.6
Conference Participants	18.3	10.4	22.0	19.6
Other	8.2	9.6	7.5	6.1
Total	100.0%	100.0%	100.0%	100.0%
Percentage of Guests with Advanced Reservations	61.1%	36.4%	69.4%	81.7%
Advanced Reservation Mix				
Direct Inquiry	41.1%	57.6%	35.5%	36.6%
Reservation Systems	30.1	21.8	37.6	31.0
Travel Agent & Tour Operators	14.6	10.0	19.9	12.1
Hotel Representative	11.9	7.2	5.9	17.0
Transportation Company	2.3	3.4	1.1	3.3
Total	100.0%	100.0%	100.0%	100.0%

*All figures are means.

Exhibit 3
Distribution of Sales*

	All Establishments	Average Room Rate		
		Unver $40.00	$40.00–$54.99	$55.00–$69.99
Sales Distribution				
Cash Sales	33.9%	45.1%	35.7%	30.7%
Credit Card Sales	48.7	45.5	53.8	56.0
All Other Credit Sales	17.4	9.4	10.5	13.3
Total	100.0%	100.0%	100.0%	100.0%
Percentage of Cash Sales from Travel Agents & Tour Operators	15.9%	21.0%	7.5%	26.4%
Percentage of Credit Card Sales by Card				
American Express	53.4%	44.4%	60.3%	58.6%
Visa	24.1	26.3	16.8	26.1
Master Card	16.3	25.5	15.5	7.5
Diner's Club	4.7	3.8	5.1	5.8
Other	1.5	0	2.3	2.0
Total	100.0%	100.0%	100.0%	100.0%

*All figures are means.

Exhibit 4
Occupancy and Average Room Rate*

	1985			1984		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Average Room Rate	$35.31	$44.83	$58.03	$35.29	$46.61	$64.00
Average Room Rate (Per Guest)	$23.81	$38.31	$54.88	$39.07	$42.92	$50.65
Occupancy	50.7%	61.7%	71.8%	50.0%	64.5%	80.5%
Double Occupancy	19.4%	43.3%	88.4%	29.8%	40.0%	49.7%

*All figures are medians and quartiles and do not necessarily add to totals shown.

Exhibit 5
Occupancy and Average Room Rate—By Selected Criteria*

	Percentage of Occupancy	Percentage of Double Occupancy	Average Room Rate
Size			
Under 150 Rooms	67.2%	**	$35.33
150-299 Rooms	54.3	42.9	47.32
300 Rooms & Over	59.9	25.4	60.05
Location			
Center City	57.6%	51.1%	$44.90
Suburban	61.7	**	46.18
Airport	62.4	20.3	46.75
Highway	62.3	48.2	35.95
Resort	58.9	**	56.01
All Establishments	61.7%	43.3%	$44.83

*All figures are medians.
**Insufficient response.

Exhibit 6
Sales Per Guest Day

	All Establishments		
	Lower Quartile	Median	Upper Quartile
Rooms	$25.91	$43.91	$59.85
Food & Beverage	11.03	18.91	40.75
Telephone	1.04	2.08	3.67
Minor Departments	0.25	1.09	2.70
Rentals & Other Income	0.33	0.69	2.26
Total	$43.62	$75.24	$107.62

Exhibit 7
Composition of Sales*

		Average Room Rate			
	All Establishments	Under $40.00	$40.00-$54.99	$55.00-$56.99	Over $70.00
Rooms	76.8%	89.9%	65.4%	66.4%	66.3%
Food	13.2	3.9	21.1	20.6	20.6
Beverage	5.5	2.1	8.9	7.8	7.7
Telephone	1.8	0.9	2.7	2.8	1.7
Minor Operated Departments	1.4	2.0	0.9	1.0	2.2
Rentals & Other Income	1.3	1.2	1.0	1.4	1.5

*All amounts are means.
N/A — Not applicable.

Size of Property			Type of Establishment			
Under 150 Rooms	150–299 Rooms	Over 300 Rooms	Hotel	Motor Hotel	Economy/Limited-Service	All-Suite
91.6%	72.2%	60.0%	63.0%	81.2%	96.3%	88.1%
3.7	15.6	24.4	22.5	8.3	N/A	6.8
1.2	7.5	10.1	9.4	4.8	N/A	2.3
0.7	2.5	2.8	2.8	2.2	0.9	1.9
1.9	0.8	1.4	0.9	1.7	1.6	0.1
0.9	1.4	1.3	1.4	1.8	1.2	0.8

Exhibit 8
Rooms Department
Median Amounts Per Room and Ratio to Total Sales

		Size of Property		
	All Establishments	Under 150 Rooms	150–299 Rooms	300–600 Rooms
Revenue				
Room Sales	$9,716	$8,829	$8,726	$12,810
Allowances	114	95	104	128
Net Revenue	$9,890	$8,579	$9,299	$12,762
Expenses				
Payroll & Related	1,752	1,770	1,525	1,738
Travel Agent Commissions & Reservation Expense	175	131	149	290
Contract Cleaning, Dry Cleaning, Linen & Laundry	206	215	129	264
Operating Supplies	224	298	167	135
All Other Expenses	235	272	181	241
Total Departmental Expenses	2,615	2,594	2,411	2,727
Net Departmental Income	$7,012	$6,309	$6,418	$10,010
Ratio to Total Sales				
Net Revenue	75.6%	95.3%	71.9%	61.3%
Payroll & Related Expenses	12.5	19.0	11.6	9.0
Net Departmental Income	53.5%	62.8%	49.4%	46.6%

Exhibit 9

Food and Beverage Operations

Ratios of Total Food and Beverage Sales—By Selected Criteria*

	All Establishments	Restaurant Operated—Food and Beverage Sales as a Ratio to Room Sales		
		Under 50%	50–74%	75–99%
Sales				
Food	71.2%	74.8%	68.8%	70.7%
Beverage	28.7	25.4	31.2	29.3
Total	100.0%	100.0%	100.0%	100.0%
Cost of Sales**				
Food	33.8%	34.7%	32.7%	34.9%
Beverage	22.0	23.3	22.3	20.0
Total	32.4	31.9	28.3	30.4
Gross Profit	69.7%	68.3%	71.8%	69.6%
Public Room Sales	3.5	4.4	4.1	2.1
Other Income	1.5	1.0	1.8	2.1
Total	72.7%	71.4%	74.1%	73.9%
Departmental Expenses				
Payroll & Related Expenses	46.2%	50.3%	44.0%	35.7%
China, Glassware, Silver & Linen	1.3	1.5	1.5	1.3
Contract Cleaning	0.2	0.2	0.2	0.1
Laundry & Dry Cleaning	1.0	1.1	0.7	1.2
Operating Supplies	2.2	2.6	1.6	2.3
Uniforms	0.5	0.6	0.4	0.5
All Other Operating Expenses	5.6	6.1	5.2	5.8
Total	59.7	64.5	52.6	45.6
Departmental Income	14.1%	10.3%	20.2%	28.2%

*All figures are medians and do not necessarily add to totals shown.
**Cost of sales ratios, except total cost of sales, are shown as a percentage of corresponding sales.

Exhibit 10
Food and Beverage Statistics—By Selected Criteria*

	All Establishments	Restaurant Operated—Food and Beverage Sales as a Ratio to Room Sales		
		Under 50%	50–74%	75–99%
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$1,882	$1,567	$1,738	$4,122
Room Service	338	286	285	454
Banquet	1,382	571	1,752	3,033
Bar/Lounge	73	80	52	69
Total	$3,288	$2,412	$3,740	$7,635
Ratio to Total Food Sales				
Dining Room	53.6%	58.5%	47.8%	56.7%
Room Service	8.2	10.0	6.6	6.3
Banquet	40.9	28.9	43.7	41.4
Bar/Lounge	1.4	2.1	1.4	1.2
Amount Per Seat				
Dining Room	$4,196	$3,765	$4,230	$8,623
Banquet	594	513	587	1,039
Bar/Lounge	84	213	52	67
Total	$1,104	$1,487	$2,425	$2,544
Average Check				
Dining Room	$ 6.62	$ 6.04	$ 6.62	$ 7.92
Room Service	7.34	6.42	8.54	6.99
Banquet	12.06	6.51	11.54	16.24
Total	$ 7.40	$ 7.95	$ 7.04	$ 9.97
Covers Served Per Seat				
Dining Room	633	620	647	810
Banquet	56	43	78	69
Room Service Sales				
Per Occupied Room				
Food	$ 1.74	$ 1.22	$ 1.70	$ 2.10
Beverage	.30	.31	.20	**
Total	$ 1.88	$ 1.03	$ 1.90	$ 2.81
Per Guest				
Food	$ 1.55	$ 1.84	$ 1.37	**
Beverage	.28	.58	.19	**
Total	$ 1.74	$ 2.12	$ 1.59	**

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.

Exhibit 10
(continued)*

	All Establishments	Restaurant-Operated Food and Beverage Sales as a Ratio to Room Sales		
		Less Than 50%	50-74%	75-99%
Beverage Sales — By Facility				
Amount Per Available Room				
Dining Room	$ 201	$ 134	$ 159	$ 320
Room Service	59	60	32	253
Banquet	255	74	314	555
Bar/Lounge	958	669	1,057	2,580
Total	$1,277	$ 899	$1,869	$3,377
Ratio to Beverage Sales				
Dining Room	10.4%	11.2%	9.0%	9.1%
Room Service	2.7	3.9	1.9	5.8
Banquet	18.2	15.0	20.8	14.5
Bar/Lounge	76.2	80.5	69.3	75.4
Ratio to Food Sales				
Dining Room	9.0%	6.6%	9.5%	10.5%
Room Service	15.2	16.1	13.0	37.1
Banquet	16.8	13.7	18.0	18.5
Total (Including Bar/Lounge)	40.4%	33.7%	45.4%	41.5%
Amount Per Seat				
Dining Room	$ 436	$ 419	$ 415	$ 460
Banquet	93	65	208	141
Bar/Lounge	1,462	1,029	2,156	2,338
Total	$1,359	$1,979	$ 988	$ 998

*All figures are medians and do not necessarily add to totals shown.

Exhibit 11
Median Ratio to Telephone Department Expenses

	All Establishments*	Equipment	
		Owned	Leased
Sales	100.0%	100.0%	100.0%
Cost of Sales			
Cost of Calls	52.0%	51.9%	53.0%
Equipment Rental	13.3	12.6	23.6
Total Cost of Sales	72.8%	70.2%	94.6%
Payroll & Related Expenses	22.1	10.0	22.3
All Other Expenses	1.4	0.9	0.4
Total Department Expenses	100.2%	91.2%	111.8%
Net Department Income (Loss)	(0.2)%	8.8%	(12.0)%

*Includes properties not providing information specifying ownership of equipment.

Exhibit 12

Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Total Sales

	Size of Property			Location of Property			
	Under 150 Rooms	150–299 Rooms	Over 300 Rooms	Center City	Suburban	Airport	Highway
Telephone							
Sales	$334	$443	$567	$444	$488	$537	$443
Cost of Sales							
Cost of Calls	257	262	251	216	257	305	228
Equipment Rental	91	61	75	157	77	64	45
Total	$398	$359	$324	$393	$320	$418	$301
Payroll & Related Expenses	**	117	163	233	134	135	75
All Other Expenses	15	18	47	13	54	42	13
Total Dept. Expenses	$407	$400	$563	$408	$520	$615	$375
Net Department Income (Loss)	$ (69)	$ 35	$ 15	$ (96)	$ 9	$ 6	$ 26
Minor Departments							
Sales	$289	$ 90	$232	$352	$294	$ 85	$197
Cost of Sales	131	80	206	100	192	140	85
Payroll & Related Expenses	**	159	206	360	118	**	**
Other Expenses	**	31	19	55	19	**	**
Total Dept. Costs & Exps.	$142	$ 88	$245	$385	$168	$140	$ 94
Net Department Income (Loss)	$244	$ 7	$ 15	$ 4	$151	$ 29	$188
Rentals & Other Income							
Space Rentals	$433	$ 36	$ 50	$ 64	$ 66	$ 88	**
Concessions	33	29	38	28	25	24	55
Commissions	15	23	14	12	20	15	21
Other	3	134	106	65	82	64	27
Total Departmental Income	$ 88	$ 81	$128	$ 85	$196	$241	$132
Ratio to Total Sales							
Telephone							
Sales	2.8%	2.8%	2.7%	3.1%	2.8%	2.6%	2.9%
Cost of Sales	3.5	2.1	1.7	3.2	2.2	1.7	2.2
Payroll & Related Expenses	1.2	0.4	0.8	1.2	0.8	0.6	0.4
Net Income (Loss)	(2.5)%	0.2%	0.1%	(0.8)%	0.1%	0.1%	0.2%
Minor Departments							
Sales	3.3%	0.7%	1.1%	1.7%	3.4%	0.4%	2.5%
Cost of Sales	0.8	0.5	1.2	0.3	0.9	2.2	0.6
Payroll & Related Expenses	**	1.7	0.9	1.5	0.7	**	**
Net Income (Loss)	2.9%	0.1%	0.1%	0.1%	0.9%	0.2%	2.4%
Rentals & Other Income							
Space Rentals	4.5%	0.2%	0.3%	0.2%	0.4%	0.3%	**
Concessions	0.4	0.4	0.2	0.2	0.2	0.2	0.5
Commissions	0.2	0.2	0.1	0.1	0.2	0.2	0.2
Other	N	0.7	0.5	0.5	0.5	0.4	0.2
Net Income (Loss)	0.8%	0.9%	0.9%	0.7%	1.0%	0.9%	1.2%

**Insufficient response.
N — Negligible.

Exhibit 13
Analysis of Administrative and General Expenses —Ratio to Total Administrative and General Expenses*

		Size of Property		
	All Establishments	Under 150 Rooms	150–299 Rooms	Over 300 Rooms
Payroll & Related Expenses	31.0%	20.3%	38.8%	46.3%
Bad Debts	1.7	1.5	1.6	2.1
Credit Card Commissions	21.5	26.3	15.0	15.7
Data Processing Service	2.3	3.6	1.8	1.3
Insurance (General)	7.0	10.6	5.4	3.6
Licenses & Dues	2.0	3.2	1.5	1.0
Operating Supplies	5.1	4.5	5.1	6.1
Professional Fees	3.9	5.6	3.4	2.3
Security	1.3	0.2	2.9	1.7
Travel & Entertainment	4.2	6.1	3.9	2.6
All Other Expenses	20.0	18.1	20.5	17.3
Total	100.0%	100.0%	100.0%	100.0%

*All figures are means.

Exhibit 14
Management Fees*

		Size of Property		
	All Establishments	Under 150 Rooms	150–299 Rooms	300 Rooms and Over
Amount Per Room				
Lower Quartile	$330	$289	$297	$ 532
Median	493	439	491	745
Upper Quartile	721	562	774	1,064
Ratio to Total Sales				
Lower Quartile	3.0%	3.8%	2.3%	3.0%
Median	4.1	4.9	4.0	3.5
Upper Quartile	5.0	5.5	5.0	4.2

*Based on those properties supplying detail.

Exhibit 15
How the Marketing Dollar Was Allocated*

	Mean, All Establishments	Location of Property			
		Center City	Suburban	Airport	Highway
Payroll & Related Expenses	21.4%	24.1%	20.7%	20.8%	16.3%
Sales Expenses	6.8	6.7	4.2	7.3	5.2
Advertising Expenses					
Print	10.2	10.1	9.5	8.3	10.8
Radio & TV	2.9	2.5	5.0	2.1	1.6
Outdoor	9.4	9.8	6.3	10.1	16.5
Other	7.4	11.0	6.2	4.9	6.7
Merchandising	2.1	1.7	3.7	0.9	0.3
Public Relations	3.9	4.1	2.4	1.8	2.3
Franchise Fees	15.5	12.6	18.7	22.1	16.3
All Other Expenses	20.4	17.4	23.3	21.7	24.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%

*All figures are means.

Exhibit 16
Energy Expenses—Amounts Per Available Room and Costs Per Occupied Room Per Day*

	Amounts Per Available Room			Cost Per Occupied Room Per Day		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Electricity	$613	$ 770	$ 930	$2.76	$3.66	$4.73
Fuel	101	134	192	.47	.62	.89
Steam	65	139	651	.28	.71	2.54
Water	69	96	142	.31	.45	.80
Total Energy Expenses	$850	$1,038	$1,297	$3.82	$5.01	$6.76
Total United States	$875	$1,143	$1,479	$3.79	$4.89	$6.77

*Based on those hotels supplying detail.

Exhibit 17
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales—By Selected Criteria*

	All Establishments	Size of Property			Location of Property			
		Under 150 Rooms	150–299 Rooms	300 Rooms and Over	Center City	Suburban	Airport	Highway
Amount Per Room								
Rent	$ 217	$ 314	$ 477	$ 134	$ 268	$ 566	$ 182	$ 157
Property Taxes	411	258	433	783	396	433	695	283
Property Insurance	184	186	144	228	109	166	219	174
Interest Expense	1,764	1,561	2,044	3,702	126	2,044	3,711	1,733
Depreciation & Amortization	1,284	1,210	1,513	2,498	814	1,471	2,276	1,242
Total Fixed Charges	$3,066	$2,899	$4,109	$3,697	$1,916	$4,309	$4,717	$3,061
Ratio to Total Sales	27.5%	32.1%	28.6%	17.4%	19.6%	29.5%	18.4%	31.2%

*Based on those supplying detail. All figure are medians and do not necessarily add to totals shown.

Texas Lodging Industry—1985
Amount Per Available Room*

	All Establishments	Size of Property		
		Under 150 Rooms	150–300 Rooms	Over 300 Rooms
Average Annual Occupancy	61.7%	67.2%	54.3%	59.9%
Average Annual Room Rate	$44.83	$35.33	$47.32	$58.05
Revenues				
Rooms	$ 9,716	$8,829	$ 8,725	$12,810
Food	3,288	1,766	2,337	4,251
Beverage	1,277	628	763	1,675
Other Food & Beverage	264	342	121	296
Telephone	470	333	443	567
Minor-Operated	240	289	90	233
Rentals & Other Income	132	54	80	195
Total	$12,879	$9,732	$13,769	$20,521
Department Expenses				
Rooms	$ 2,615	$2,593	$ 2,410	$ 2,727
Food & Beverage	2,659	1,183	2,130	3,367
Telephone	527	406	400	562
Minor-Operated	142	141	87	244
Total	$ 3,398	$2,865	$ 4,198	$ 7,104
Department Profit				
Rooms	$ 7,012	$6,309	$ 6,417	$10,010
Food & Beverages	493	44	316	1,257
Telephone	(16)	(269)	34	15
Minor-Operated	43	244	7	15
Rentals & Other Income	132	54	80	195
Total	$ 7,784	$6,398	$ 8,545	$11,442
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	$ 875	$ 746	$ 568	$ 1,218
Other	756	462	809	1,175
Total	$ 1,337	$ 482	$ 1,465	$ 2,358
Marketing	$ 730	$ 258	$ 871	$ 1,316
Energy Costs	$ 1,038	$ 875	$ 862	$ 1,202
Property Operations & Maintenance	$ 941	$ 644	$ 813	$ 1,077
Total Undistributed Operating Expenses	$ 3,765	$ 737	$ 3,900	$ 5,504
Income Before Management Fees	4,714	5,041	3,563	6,415
Management Fees (Base and Incentive)	493	439	490	744
Income Before Fixed Charges	4,051	4,553	3,114	5,043
Fixed Charges	$ 3,066	$2,899	$ 4,108	$ 3,696
Income Before Income Taxes	1,061	1,208	669	594
Reserve for Capital Replacement	$ 726	**	**	588

*All amounts are medians and do not necessarily add to totals shown.
**Insufficient response.

Texas Lodging Industry—1985
Ratios to Total Sales*

	All Establishments	Size of Property		
		Under 150 Rooms	150-299 Rooms	Over 300 Rooms
Average Annual Occupancy	61.7%	67.2%	54.3%	59.9%
Average Annual Room Rate	$44.83	$35.33	$47.32	$58.05
Revenues				
Rooms	75.6%	95.3%	71.9%	61.3%
Food	20.3	13.8	18.0	21.6
Beverage	8.7	5.3	5.7	9.5
Other Food & Beverage	1.3	2.2	0.9	1.5
Telephone	2.8	2.8	2.8	2.7
Minor-Operated	2.1	3.3	0.7	1.1
Rentals & Other Income	0.9	0.7	0.9	0.9
Total	100.0%	100.0%	100.0%	100.0%
Department Expenses				
Rooms	18.0%	27.9%	15.8%	14.5%
Food & Beverage	16.5	8.4	17.0	16.9
Telephone	2.9	4.0	2.6	2.8
Minor-Operated	0.8	0.8	0.5	1.1
Total	33.2%	30.9%	34.9%	34.8%
Department Profit				
Rooms	53.5%	62.8%	49.4%	46.6%
Food & Beverages	3.4	0.1	2.1	6.0
Telephone	(0.1)	(2.5)	0.2	0.1
Minor-Operated	0.2	2.9	0.1	0.1
Rentals & Other Income	0.9	0.7	0.9	0.9
Total	60.8%	67.2%	57.2%	55.8%
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related	5.8%	6.4%	4.2%	5.8%
Other	1.5	5.0	6.3	5.1
Total	5.3%	5.3%	12.3%	11.5%
Marketing	5.6%	2.9%	7.1%	6.1%
Energy Costs	6.5%	8.1%	6.5%	5.4%
Property Operations & Maintenance	5.5%	6.0%	4.9%	5.8%
Total Undistributed Operating Expenses	26.1%	9.6%	28.7%	29.4%
Income Before Management Fees	33.2	57.8	26.9	26.2
Management Fees (Base and Incentive)	4.1	4.9	4.0	3.5
Income Before Fixed Charges	29.2	52.1	22.8	22.4
Fixed Charges	27.5%	32.1%	28.6%	17.4%
Income Before Income Taxes	6.7	15.8	4.7	3.5
Reserve for Capital Replacement	3.2%	••	••	2.9%

*All amounts are medians and do not necessarily add to the totals shown.
**Insufficient response.

APPENDICES I, II & III—TECHNOLOGICAL CHARACTERISTICS

Appendix I
Technological Characteristics—Property Automation

Central Reservation System	87.5%
Computerized Back Office Accounting System	60.9
Computerized Front-Office System	53.1
Point-of-Sale Terminals for F&B	34.1
Computerized Energy Management System	15.9
Micro-computers for Guest Usage	4.5
Electronic Card Key System	3.1

Appendix II
Technological Characteristics—Telephone Services

Direct Dialing for International Calls	70.3%
Least Call Routing for Guest Telephone Calls	65.6

Appendix III
Technological Characteristics—In-Room Entertainment

Satellite	67.7%
Subscription Cable	58.5
Pay Per View In-Room Movies	22.4
Spectradyne	20.0

APPENDIX IV—GUEST SERVICES

Appendix IV
Guest Services

Free Parking	95.2%
Overnight Dry Cleaning	83.3
Personal Bathroom Amenities	73.8
Audio-Visual Equipment	73.2
Outdoor Pool	69.0
Multi-lingual Staff	68.3
Gift Shop	63.0
Airport Transportation	61.0
Newsstand	48.8
Auto Rental	41.5
Indoor Pool	39.0
Health Club Facilities	36.6
Game Room	34.1
Executive Floors	26.8
Concierge Services	22.0
Secretarial Service	21.9
24-Hour Doorman	17.1
Retail Outlets	12.2
Golf	4.9
Barber/Beauty Salon	4.9
Travel Agent on Premises	2.4
24-Hour Room Service	2.4

APPENDIX V—UNDERSTANDING MEDIANS & MEANS

The annual studies written by the Research Division of Laventhol & Horwath utilize medians for the majority of their reported results. This article will give an in-depth explanation on medians and quartiles, as well as briefly discuss means, along with practical uses of both.

A median is defined as the middle value of all amounts calculated for a specific line item. For example, if we received nine responses for number of full-time employees—8,4,2,6,9,7,5,1,3; these numbers would be arranged sequentially—1,2,3,4,5,6,7,8,9 and the middle value "5" would be the median since 50 percent of the responses received are below the value and 50 percent are above.

In conjunction with medians, lower and upper quartiles are used to give a further description to the sample results. Occasionally, we use means to report data, but we believe the median is the most appropriate method to report our results. This is because the median gives less biased results. Medians keep results from being skewed by one or two respondents. For example, if a few responding hotels incurred large operating losses, these losses would be divided evenly among all hotels in the sample (when using mean calculations); and bring down the average net profit of the entire group, which for the most part may have had respectable profits.

Quartiles divide the responses into four equal parts, with the median still being the middle value. The *lower quartile* is the value that separates the lowest 25 percent of the responses from the rest of the sample when arranged sequentially, while the *upper quartile* defines the boundaries of the upper 25 percent of the responses from the lower 75 percent. Stated another way, 50 percent of all responses fall between the lower and upper quartiles. For example, if we receive 99 responses for a specific item and the responses (conveniently) were numbered 1 through 99, the median (or middle value) would be 50, the lower quartile would be 25 (25 percent of the responses would be below 25), and the upper quartile would be 75 (25 percent of the responses would be above 75). Fifty percent (or half) of the responses would fall between the lower and upper quartiles. (See chart below.)

While reading this report, it should become evident that columns do not total when medians are involved. The reason behind this is EACH LINE ITEM IS ANALYZED SEPARATELY! In Table I when all amounts are arranged sequentially, the median amount per room for total revenue is $22,405. This figure is based on the 60 properties that gave us information for this specific line item.

Theoretically, if each property reported each line item, and one property happened to have the median value for each type of revenue, then the medians would total. But since not every property has a food and beverage operation, or a minor department, the sample size changes for each line item. Different sample sizes is one reason why figures do not add to the totals shown.

There is another major reason that columns do not total. When using medians, it is important to remember that the median food sales, the median beverage sales and the median total sales figures reported probably represent the results for three separate properties, even though the sample size of each may be equal. This also holds true for lower and upper quartile figures.

The terms mean, average, and arithmetic mean are all synonymous. A mean is calculated by summing the results and dividing by the number of responses. In Table II, the sum of the number of restaurant seats is 1,940. Divide this by the nine respondents and the mean (average) is 216 seats per restaurant. By comparison, the median number of seats is 140. It is obvious that the average is skewed by the two restaurants with 500 and 600 seats.

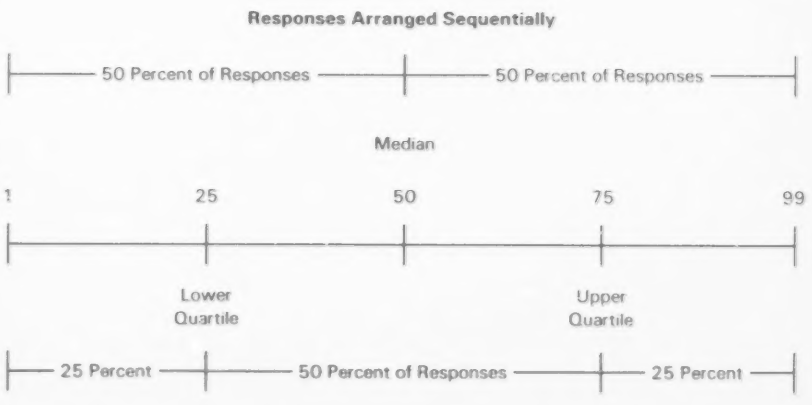


Table I

	Amount Per Room		
	Lower Quartile	Median	Upper Quartile
Revenues			
Rooms	$13,587	$18,098	$24,130
Food	1,038	3,664	6,564
Beverage	251	1,300	3,147
Other Food & Beverage	95	180	396
Telephone	429	668	881
Minor-Operated	104	389	1,073
Rentals & Other Income	100	250	525
Total	$14,729	$22,405	$30,548

Table II
Restaurant Seating

Hotel Restaurant	Number of Seats	Average Daily Seat Turnover	Number Seats Occupied Daily (Column 1 × Column 2)
1	60	3.80	228
2	80	4.20	336
3	100	3.70	370
4	120	2.90	348
5	140	2.00	280
6	160	1.70	272
7	180	1.90	342
8	500	1.20	600
9	600	1.00	600
Total	1,940	22.40	3,376
Median	140	2.00	342[1]
Average (rounded)	216	2.49	538

[1]The median number of seats occupied daily is 342 (the middle value of column 3). Notice that this is not equal to the product of the median number of seats multiplied by the median average daily seat turnover, which is 280. It is incorrect to use medians in calculations, such as addition or multiplication.

Table II shows a group of hotels that provided information on the number of restaurant seats available. They also provided the number of guests served, so the average daily seat turnover was calculated. The average number of seats for this sample is approximately 216 (1,940 divided by 9) and the median number of seats is 140 (the middle value of all respondents when responses are arranged sequentially). The average seat turnover is 2.49 and the median is 2.00. With this information, the mean and median for the number of seats occupied daily can be calculated.

- The median number of seats occupied daily is 342 (the middle value of column 3).
- To compute the average number of seats occupied per day, multiply the average number of seats per restaurant of 216 by the average daily seat turnover of 2.49. This gives the average daily seat turnover of approximately 538. The mean number of seats is greatly influenced by the two large properties with 500 and 600 seats.

As shown, median and means both have their uses, with medians not being affected by one or two responses that vary significantly from the rest of the sample. This is the main reason the majority of our studies report the data as medians.

*The number used for sample sizes are representative and are not actual sample sizes.

EXPLANATION OF TERMS

Room sales

Guest room revenue generated from accommodations on a part-day occupancy, full-day or longer period basis, net of any rebates and discounts. Also included are charges for maid or linen services.

Rentals and Other Income

Income from vending machine concessions and commissions, public telephone commissions, merchandise sales of postcards, souvenirs and newspapers, commissions on guest laundry, valet, meeting room rentals and all other income not included elsewhere.

Payroll and Related Expenses—Rooms Department

The salaries and wages of departmental personnel and management including: overtime, holiday and vacation pay. Also included are employee benefits and payroll taxes such as Federal, state, social security and workmen's compensation.

Payroll and Related Expenses—Administrative and General

Salaries and wages for the resident manager or managing director, secretaries, reception clerks and bookkeepers.

Undistributed Operating Expenses—Administrative and General

Expenses incurred from bad debts, credit cards commissions, data processing services, general insurance, licenses and dues, operating supplies, professional fees, security services, travel and entertainment and other related miscellaneous expenses.

Marketing

Advertising, publicity, franchise fees and other promotional expenses such as printing newspaper, magazine and billboard space and broadcasting time.

Energy

The costs of fuel, electrical current and water.

Payroll and Related Expenses—Property Operation and Maintenance

Payroll and related expenses related with the repair and maintenance of the building, furniture and fixtures and equipment, in addition to all other expenses necessary to keep the property in operating condition.

Property Operation and Maintenance

The cost of materials used in repairing equipment, the exterior and interior of the building (floors, walls, doors, furniture), grounds and landscaping, painting and decorating, the removal of waste matter and other related expenses necessary for the upkeep of the lodging facility.

Management Fees

Fees charged by a management organization for management service or supervision should be charged to the account.

Income Before Fixed Charges

Income before fixed charges is defined as total departmental revenue from all sources (rooms, minor departments, rentals and other income, and telephone) less all departmental and undistributed operating expenses. This is the income from all operations before deducting rent, property taxes, property insurance, interest, depreciation and income taxes.

PROPERTY ANALYSIS WORKSHEET

This worksheet will provide a quick analysis of how your property is performing in comparison to the industry.

Worksheet

(Use medians from exhibits)

Amount Per Available Room	Your Property	Comparison 1	Comparison 2
Average Annual Occupancy			
Average Annual Room Rate			
Revenues			
Rooms			
Food			
Beverage			
Other Food & Beverage			
Telephone			
Minor-Operated			
Rentals & Other			
Total			
Department Expenses			
Rooms			
Food & Beverage			
Telephone			
Minor-Operated			
Total			
Department Profit			
Rooms			
Food & Beverage			
Telephone			
Minor-Operated			
Rentals & Other			
Total			
Undistributed Expenses			
Administrative & General			
Payroll & Related			
Other			
Total			
Marketing			
Payroll & Related			
Other			
Total			
Energy			
Property Operations & Maintenance			
Total Undistributed Expenses			
Income Before Management Fees			
Management Fees (Base & Incentive)			
Income Before Fixed Charges			
Fixed Charges			
Income Before Income Taxes			
Reserve for Capital Replacement			

LEISURE TIME INDUSTRY CONTACTS

Laventhol & Horwath has, since its inception, specialized in providing sophisticated advisory services to all facets of the lodging industry. The Leisure Time Advisory Services practice is the largest of its kind in the country in terms of fee volume, professional staff, geographic diversification and service capability. L&H routinely serves as advisor to the nation's most prominent hotels, developers, financiers, syndicators and industrial corporations on methods used in developing, financing, managing, operating and marketing lodging properties.

The following list contains the services that L&H provides to the lodging industry as well as the contact person:

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